

## Message Text

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ACTION EA-09

INFO OCT-01 IO-10 ISO-00 EB-07 AID-05 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 PA-02 PRS-01 /103 W

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FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 478

INFO AMEMBASSY CANBERRA

USDEL MTN GENEVA

UNCLAS WELLINGTON 3438

E.O. 11652: N/A

TAGS: ETRD, EFIN, NZ

SUBJ: NEW ZEALAND OCTOBER PAYMENTS DEFICIT DOWN

NOTABLY FROM SEPTEMBER

REF: WELLINGTON 3123

1. ACCORDING TO THE RESERVE BANK'S LATEST OVERSEAS EXCHANGE TRANSACTIONS FIGURES, EXPORT RECEIPTS FOR THE MONTH OF OCTOBER REACHED \$NZ183 MILLION, UP OVER \$28 MILLION ABOVE SEPTEMBER BUT IMPORT PAYMENTS ALSO ROSE, TO \$237 MILLION, UP NEARLY \$11 MILLION OVER SEPTEMBER. (ALL FIGURES ARE IN NZ DOLLARS. \$NZ1 EQUALS ABOUT \$US1.06). INVISIBLES PAYMENTS TOTALLED \$71.8 MILLION, VS. \$58 MILLION IN RECEIPTS. THIS BROUGHT THE CURRENT ACCOUNT DEFICIT FOR OCTOBER TO \$68 MILLION, \$43 MILLION BELOW SEPTEMBER AND MORE IN LINE WITH THE EVOLVING TREND OF THE PAST FEW MONTHS OF A SLOWLY NARROWING PAYMENTS GAP.

2. NET CAPITAL INFLOW FOR THE MONTH TOTALLED \$100 MILLION. THIS INCLUDED \$84 MILLION REDRAWN BY GNZ AND THE RESERVE BANK ON REVOLVING CREDITS ARRANGED EARLIER.

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3. FOR THE THREE MONTHS ENDING OCTOBER 1975, THE CURRENT ACCOUNT PAYMENTS BALANCE (MINUS \$223 MILLION) SHOWED AN IMPROVEMENT OVER THE PREVIOUS THREE MONTHS PERIOD. EXPORT RECEIPTS FOR THE OCTOBER TRIMESTER REACHED \$522 MILLION, SHOWING A STEADY TRIMESTERLY INCREASE SINCE THE THREE MONTH PERIOD ENDING JANUARY 1975 WHEN RECEIPTS TOTALLED ONLY \$374 MILLION. IMPORT PAYMENTS FOR THE OCTOBER TRIMESTER ROSE TO \$645 MILLION, THE HIGHEST TRIMESTER FOR THE YEAR. EVEN THOUGH INVISIBLES RECEIPTS INCREASED TO \$153.2 MILLION DURING THE PERIOD THE INVISIBLES DEFICIT WAS \$101 MILLION. INTEREST PAYMENTS ON OFFICIAL, AND TO A LESSER EXTENT PRIVATE, BORROWING, HIGHER FREIGHT COSTS ON EXPORTS AND GREATER OTHER TRANSPORT PAYMENTS WERE MAINLY RESPONSIBLE FOR THE INCREASED INVISIBLES PAYMENTS FOR THE TRIMESTER. NET CAPITAL INFLOW, INCLUDING \$55 MILLION OF IMP DRAWINGS, \$37 MILLION NET PRIVATE CAPITAL RECEIPTS AND \$84 MILLION NET OFFICIAL BORROWING TOTALLED \$176 MILLION.

4. WITH THE SMALLER OCTOBER CURRENT ACCOUNT DEFICIT, THE DEFICIT FOR THE YEAR ENDING OCTOBER DECREASED TO \$1,009 MILLION, BUT STILL WELL ABOVE THE YEAR EARLIER DEFICIT OF \$652 MILLION. THE INCREASE OF THE CURRENT YEAR'S DEFICIT OVER THE YEAR EARLIER WAS DUE TO INCREASED IMPORT PAYMENTS (\$2,408 MILLION VS. \$2,137.6 MILLION FOR THE OCTOBER 1974 YEAR) THE INVISIBLES PAYMENTS (\$929 MILLION VS. \$704.9 MILLION FOR THE YEAR EARLIER PERIOD). THE NET DEFICIT ON INVISIBLES TRANSACTIONS FOR THE LATEST PERIOD TOTALLED NEARLY \$384 MILLIN (VS. \$267.3 MILLION A YEAR EARLIER).

5. GOVERNMENT BORROWING TOTALLED NEARLY \$499 MILLION. PRIVATE BORROWING WAS NEARLY \$375 MILLION OTHER OFFICIAL RECEIPTS REACHED \$166.7 MILLION. GOVERNMENT DEBT REPAYMENTS WERE \$133.5 MILLION. OTHER OFFICIAL PAYMENTS TO CAPITAL ACCOUNT WERE \$30.5 MILLION AND PRIVATE CAPITAL PAYMENTS HELD AT \$153.6 MILLION.

6. COMMENT: THE LABOUR GOVERNMENT IS UNDOUBTEDLY RELIEVED TO SEE THE CURRENT ACCOUNT DEFICIT FOR OCTOBER FALL. HAD IT REMAINED AS HIGH AS SEPTEMBER'S DEFICIT, THE OPPOSITION UNCLASSIFIED

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WOULD CERTAINLY HAVE FOCUSED PUBLIC ATTENTION ON THIS. BUT, THE DEFICIT HAVING DROPPED FOR THE MONTH, THE ELECTION CAMPAIGNING IN RE ECONOMIC ISSUES, HAS CONCENTRATED MORE ON THE LARGE SCALE BORROWING OVER THE PAST YEAR AND ONE HALF. SELDEN

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